

Uniform System of Accounts Prescribed for Wisconsin Private Natural Gas Companies

Definitions

When used in this system of accounts:

1. *Accounts* means the accounts prescribed in this system of accounts.
2. *Actually issued*, as applied to securities issued or assumed by the utility, means those which have been sold to bona fide purchasers for a valuable consideration, those issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds.
3. *Actually outstanding*, as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility; provided, however, that securities held by trustees shall be considered as actually outstanding.
4. *Amortization* means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.
5. A. *Associated companies* means companies or persons that directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with the accounting company. *Affiliated companies* are those companies having relationships as defined in s. PSC 196.52, Wis. Stat.

B. *Control* (including the terms “controlling,” “controlled by,” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.
6. *Book cost* means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, depletion, amortization, or for other purposes.
7. *Commission*, unless otherwise indicated by the context, means the Wisconsin Public Service Commission.
8. *Continuing plant inventory record* means company plant records for retirement units and mass property that provide, as either a single record, or in separate records readily obtainable by references made in a single record, the following information:

A. For each retirement unit:

- (1) The name or description of the unit, or both;
- (2) The location of the unit;
- (3) The date the unit was placed in service;
- (4) The cost of the unit as set forth in Plant Instructions 2 and 3 of this part; and
- (5) The plant control account to which the cost of the units is charged; and

B. For each category of mass property:

- (1) A general description of the property and quantity;
- (2) The quantity placed in service by vintage year;
- (3) The average cost as set forth in Plant Instructions 2 and 3 of this part; and
- (4) The plant control account to which the costs are charged.

9. *Cost* means the amount of money actually paid for property or services. When the consideration given is other than cash in a purchase and sale transaction, as distinguished from a transaction involving the issuance of common stock in a merger or a pooling of interest, the value of such consideration shall be determined on a cash basis.

10. *Cost of removal* means the cost of demolishing, dismantling, tearing down or otherwise removing gas plant, including the cost of transportation and handling incidental thereto.

11. *Debt expense* means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

12. A. *Depletion*, as applied to natural gas producing land and land rights, means the loss in service value incurred in connection with the exhaustion of the natural resource in the course of service.

B. *Depreciation*, as applied to depreciable gas plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of gas plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities, and, in the case of natural gas companies, the exhaustion of natural gas resources.

13. *Development costs*, in the case of Major natural gas companies, when used with respect to hydrocarbons, include all costs incurred in the readying of hydrocarbon deposits for commercial production including developmental well drilling costs.

14. *Discount*, as applied to the securities, issued or assumed by the utility, means the excess of the par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale.

15. *Exploration costs*, in the case of Major natural gas companies, include all costs incurred in proving the existence of hydrocarbon deposits including geological, geophysical, lease acquisition (including delay rentals), administrative and general, and exploratory well drilling costs.

16. *Full-cost accounting for exploration and development costs*, in the case of Major natural gas companies, means the capitalization of all exploration and development costs incurred on or related to hydrocarbon leases, on properties in the contiguous 48 States and the State of Alaska, acquired after October 7, 1969.

17. *Investment advances* means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

18. *Lease, capital* means a lease of property used in utility or non- utility operations, which meets one or more of the criteria stated in General Instruction 19.

19. *Lease, operating* means a lease of property used in utility or non-utility operations, which does not meet any of the criteria stated in General Instruction 19.

20. *Minor items of property* means the associated parts or items of which retirement units are composed.

21. *Natural gas* means either natural gas unmixed, or any mixture of natural and artificial gas.

22. *Natural gas company* means a person engaged in the transportation of natural gas in interstate commerce, or the sale in interstate commerce of such gas for resale.

23. *Net salvage value* means the salvage value of property retired less the cost of removal.

24. *Nominally issued*, as applied to securities issued or assumed by the utility, means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

25. *Nominally outstanding*, as applied to securities issued or assumed by the utility, means those which, after being actually issued, have been reacquired by or for the utility under circumstances which require them to be considered as held alive and not retired, provided, however, that securities held by trustees shall be considered as actually outstanding.

26. *Original cost*, as applied to gas plant, means the cost of such property to the person first devoting it to public service.

27. *Person* means an individual, a corporation, a partnership, an association, a joint stock company, a business trust, or any organized group of persons, whether incorporated or not, or any receiver or trustee.

28. *Premium*, as applied to securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stocks) or face value and interest or dividends accrued at the date of sale.

29. *Production, transmission, and distribution plant* (Major Natural Gas Companies.) For the purposes of this system of accounts:

A. *Production system* shall consist of plant and equipment used in the production of gas. It shall include producing lands and leaseholds, gas rights, other land rights, structures, drilling and clearing equipment, gas wells, well head equipment, separation and other facilities used in the production of natural gas. The production system ends where the gas enters a gathering system, transmission system or distribution system, as applicable, in accordance with the practices in the pricing area where such system is located.

B. *Transmission system* means the land, structures, mains, valves, meters, boosters, regulators, tanks, compressors, and their driving units and appurtenances, and other equipment used primarily for transmitting gas from a production plant, delivery point of purchased gas, gathering system, storage area, or other wholesale source of gas, to one or more distribution areas. The transmission system begins at the outlet side of the valve at the connection to the last equipment in a manufactured gas plant, the connection to gathering lines or delivery point of purchased gas, and includes the equipment at such connection that is used to bring the gas to transmission pressure, and ends at the outlet side of the equipment which meters or regulates the entry of gas into the distribution system or into a storage area. It does not include storage land, structures or equipment. Pipeline companies, including those companies which measure deliveries of gas to their own distribution systems, shall include city gate and main line industrial measuring and regulating stations in the transmission function.

C. *Distribution system* means the mains which are provided primarily for distributing gas within a distribution area, together with land, structures, valves, regulators, services and measuring devices, including the mains for transportation of gas from production plants or points of receipt located within such distribution area to other points therein. The distribution system owned by companies having no transmission facilities connected to such distribution system begins at the inlet side of the distribution system equipment which meters or regulates the entry of gas into the distribution system and ends with and includes property on the customer's

premises. For companies which own both transmission and distribution facilities on a continuous line, the distribution system begins at the outlet side of the equipment which meters or regulates the entry of gas into the distribution system and ends with and includes property on the customer's premises. The distribution system does not include storage land, structures, or equipment.

D. *Distribution area* means a metropolitan area or other urban area comprising one or more adjacent or nearby cities, villages or unincorporated areas, including developed areas contiguous to main highways.

30. *Property retired*, as applied to gas plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

31. A. *Replacing or replacement*, when not otherwise indicated in the context, means the construction or installation of gas plant in place of property retired, together with the removal of the property retired.

B. *Research, Development, and Demonstration (RD&D)*, in the case of Major natural gas companies, means expenditures incurred by natural gas companies either directly or through another person or organization (such as research institute, industry association, foundation, university, engineering company, or similar contractor) in pursuing research, development, and demonstration activities including experiment, design, installation, construction, or operation. This definition includes expenditures for the implementation or development of new and/or existing concepts until technically feasible and commercially feasible operations are verified. Such research, development, and demonstration costs should be reasonably related to the existing or future utility business, broadly defined, of the public utility or licensee or in the environment in which it operates or expects to operate. The term includes, but is not limited to: All such costs incidental to the design, development or implementation of an experimental facility, a plant process, a product, a formula, an invention, a system or similar items, and the improvement of already existing items of a like nature; amounts expended in connection with the proposed development and/or proposed delivery of substitute or synthetic gas supplies (alternate fuel sources for example, an experimental coal gasification plant or an experimental plant synthetically producing gas from liquid hydrocarbons); and the costs of obtaining its own patent, such as attorney's fees expended in making and perfecting a patent application. The term includes preliminary investigations and detailed planning of specific projects for securing for customers non-conventional pipeline gas supplies that rely on technology that has not been verified previously to be feasible. The term does not include expenditures for efficiency surveys; studies of management, management techniques and organization; consumer surveys, advertising, promotions, or items of a like nature.

32. *Retained earnings* (formerly earned surplus) means the accumulated net income of the utility less distribution to stockholders and transfers to other capital accounts.

33. *Retirement units* means those items of gas plant which, when retired, with or without replacement, are accounted for by crediting the book cost thereof to the gas plant account in which included.

34. *Salvage value* means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale; or, if retained, the amount at which the material recoverable is chargeable to Materials and Supplies, or other appropriate account.

35. *Service life* means the time between the date gas plant is includible in gas plant in service, or gas plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

36. *Service value* means the difference between original cost and net salvage value of gas plant.

37. *Unsuccessful exploration and development costs*, in the case of Major natural gas companies, means exploration and development costs related to efforts which do not directly result in the discovery of commercially recoverable hydrocarbon reserves.

38. *Subsidiary company*, in the case of Major natural gas companies, means a company which is controlled by the utility through ownership of voting stock. (See "Definitions"--item 5B "Control"). A corporate joint venture in which a corporation is owned by a small group of businesses as a separate and specific business or project for the mutual benefit of the members of the group is a subsidiary company for the purposes of this system of accounts.

39. *Utility*, as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

40. *Property subject to amortization* shall include equipment in Accounts 391 (including all personal computers, but exclusive of dedicated network servers, graphic/specialty/work station computers, minicomputers and mainframe computer equipment), 393, 394, 395, 397 (exclusive of SCADA central system control facilities) and 398.